



# Fix Up Loan Program Lender Training

# Agenda

- Minnesota Housing Overview
- Fix Up Overview & Benefits
- Eligibility
- Closing/Post-closing
- Community Fix Up
- Resources



# About Minnesota Housing



*Minnesota Housing office in downtown St. Paul*

Minnesota's state housing  
finance agency

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In 2018, invested more than  
**\$1.26 billion** and served  
nearly **67,000 households**

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**More than 5,000** households  
benefitted from  
homeownership and home  
improvement loans last year

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Total assets of **\$3.16 billion**

# Our Mission

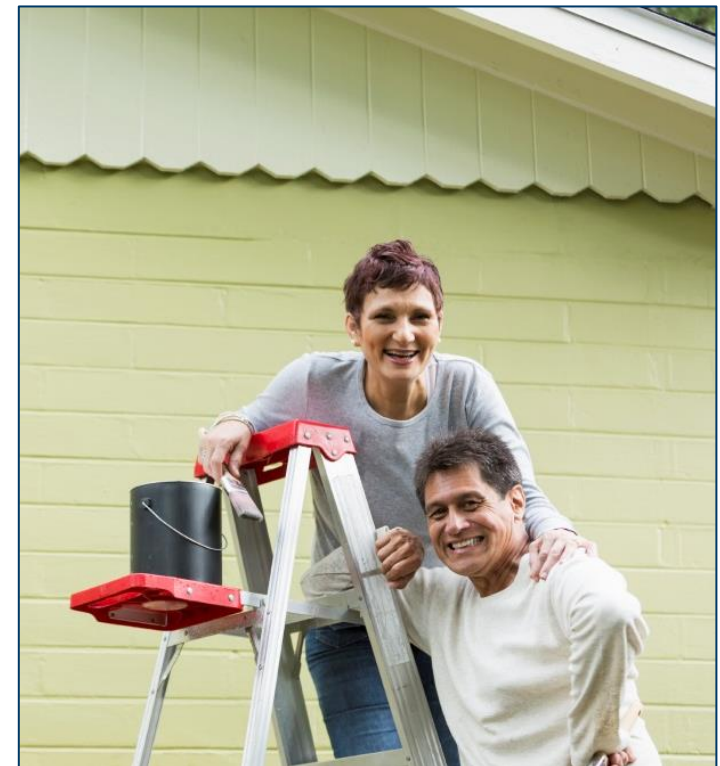
Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.



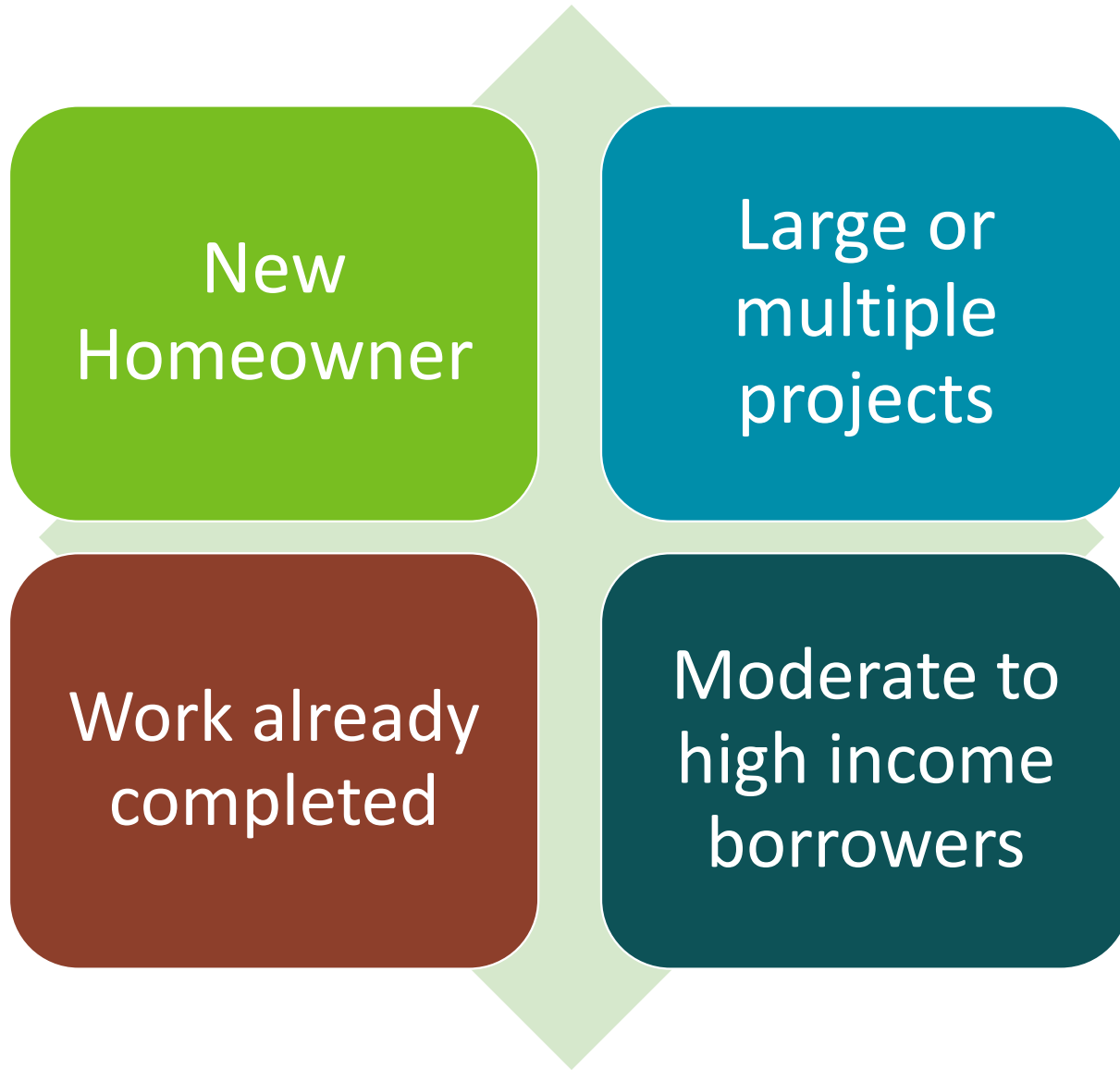
## Fix Up Overview & Benefits

# Why Use Fix Up

- **Enables** and **motivates**
- Self-supported
- Wide variety of lender partners
- Fills a lending gap



# Who Can Use Fix Up



# Fix Up Loan Types

## Fix Up Loan Program

Unsecured Loan

Secured Loan

Unsecured Energy Loan\*

Secured Energy Loan\*

Secured Accessibility Loan\*

\*No income limit



# Rates & Terms

Loan Type	Max Loan Amount	Max/Min Repayment Term	Min Credit Score	Interest Rate	Income Limit	Max LTV
Unsecured	\$15,000	10 years/3 years	680	For current rates and income limits, see <a href="http://www.mnhousing.gov">www.mnhousing.gov</a>		n/a
Unsecured Energy	\$15,000	10 years/3 years	680	For rates, visit <a href="http://www.mnhousing.gov">www.mnhousing.gov</a>	n/a	n/a
Secured	\$50,000	20 years/1 year	620	For current rates and income limits, see <a href="http://www.mnhousing.gov">www.mnhousing.gov</a>		110%
Secured Energy/ Accessibility	\$15,000	20 years/1 year	620	For rates, visit <a href="http://www.mnhousing.gov">www.mnhousing.gov</a>	n/a	110%

# Lender Role

- Establish an internal process
  - Origination
  - Processing
  - Underwriting
  - Closing
- No required escrows or lender inspections



# Process



Loan  
Eligibility

Closing and  
Disbursement

Selling the  
Loan

Final Follow-  
up Steps



## Determining Eligibility

# Improvements

## ELIGIBLE

- Basic and permanent residential repairs, remodeling and energy conservation
- Basic garage
- Accessibility improvements
- Work that's already started or completed

- Personal property items such as appliances
- Outbuildings, gazebos, pools, saunas, hot tubs
- Garage space greater than 1,000 square feet per property

## INELIGIBLE

# Documenting Improvements

## Contractor

☐ Completed labor itemized estimate must be:

☐ Written

☐ Dated

☐ Detailed

Reference *Allowable  
Improvement Guides*

## Homeowner

☐ Completed labor itemized estimate must be:

☐ Detailed list of materials

☐ Directly from a retailer

☐ No labor costs included

☐ Not allowed on Energy Incentive loans

☐ Homeowner Labor Agreement

# Property Type

## ELIGIBLE

- Single family home
- Duplex, tri-plex, four-plex if homeowner occupies a unit
- Townhome or condo
- Manufactured homes permanently affixed to foundation with utilities in place and taxed as real property



- Personal property
- Mobile homes
- Common areas in townhomes or condos

## INELIGIBLE

# Determining Value

## Current Market Value

*Determined with...*

- Property Tax Statement
- Competitive Market Analysis
- Appraised value or sales price of new purchase
- Other methods as approved in writing by Minnesota Housing

## After-Improved Value

*Total of...*

- Current market value
- 1/2 cost of improvements



# Determining Value

## Determining Loans

Lien Type	Balance
Existing 1 <sup>st</sup> Mortgage	\$100,000
Existing 2 <sup>nd</sup> Mortgage	\$3,000
Proposed Fix Up Loan	\$20,000
<b><i>Total Liens</i></b>	<b><i>\$123,000</i></b>

## Determining Value

Current Market Value	\$110,000
½ cost of the proposed improvements	\$10,000
<b><i>"After-Improved" Value</i></b>	<b><i>\$120,000</i></b>

**LTV = Loans (\$123,000) divided by value (\$120,000)**

**103%**

## Qualifying (Underwriting) Income

- Used to determine DTI
- Borrower's ability to repay loan
- Document to the **lender's** underwriting standards
- Income must be within program income limits
- Must include underwriting worksheet in the loan file

# Borrower Credit

DTI **48%**

Co-Signer **55%**

Credit Scores **620 Secured 680 Unsecured**

Credit History **18 months**

# Borrower Ownership

## ELIGIBLE

- New construction at least 90 days old
- Loan to “after-improved” value of 110%
- Fee simple, C4D, Life Estate, CLT ownership

- Trust Estate, reverse mortgage ownership

## INELIGIBLE

# Demonstrating Ownership

- Secured Loans:
  - Owner's and Encumbrances Report
- Unsecured Loans:
  - Property tax statement



# Application



- Use industry standard and/or internal applications for credit
- Must include Minnesota Housing Credit Application Addendum on every loan

# Refinance Options

## Allowed

- Unsecured to secured
- Incentive rate to secured
- Secured to secured

## Not Allowed

- Secured to unsecured
- Secured to incentive rate

# Commitment System

- Tracks intended use of funds and loan status
- Lock rates
- Accessed through website
- Managed by Web Admin
- Training
  - System Guides
  - Recorded webinars





# Documents

- Loan documents generated in commitment system
  - Document subscription notifications for internal LOS
- Required and optional forms located in Forms Guide & Glossary on Minnesota Housing website





**Closing**

# Closing Process

## Minnesota Housing Documents

- Forms Guide & Glossary on Minnesota Housing website
- Loan docs in commitment system

## Lending Partner Documents

- Mortgage
- Notice of Sale and Transfer
- Compliance documents (TRID, Right of Rescission, etc.)

## First Payment Date

- Must be between 20 and 45 days from **date of the note**

## True and Certify

- True & Certify loan in Minnesota Housing system
- Upload complete loan file
- Minnesota Housing will change to Purchased

# Closing Signatures

## Secured Loans:

- All borrowers and/or co-signers must sign note and application
- All property owners must sign mortgage

## Unsecured Loans:

- All borrowers and/or co-signers must sign application and note



# Closing: Auto-Draft

- Reduces interest rate on regular unsecured & secured
- Borrower to complete form at time of closing
  - Set up post-closing for all other loan types (ex: Energy or Accessibility)
- Termination of auto-draft service



# Closing: Servicer



- Available on our website:
  - Reference Loan Servicing Information
  - Temporary Payment Coupon
- After closing, borrower will receive welcome packet

# Fees and Compensation

## Secured Loans

### Financed:

- 1% Orig
- Doc Prep (up to \$50)
- Title Fees
- BPO (up to \$150)

### Cash:

- Credit Report Fee (actual cost)
- Recording Fees
- MRT\*

**Compensation: \$400**

## Unsecured Loans

### Financed:

- Doc Prep (up to \$50)

### Cash:

- Credit Report Fee (actual cost)

**Compensation: \$250**



\*Fix Up loans may be exempt from MRT (check with your county recorder)

# Post-Closing



- Record mortgage and assignment (if applicable)
- Prepare Loan Transmittal
  - Originals to Servicer
  - Copies to Minnesota Housing
- Retain copy of file





## Community Fix Up Loan Program

- Targets Fix Up loans to a specific community need
  - Rate write-down option
  - Offering a value-added service



# Community Fix Up Example

- St. Paul City Limits
- Using HRA funds for discount rate write-downs
  - 3% for households with incomes less than 60% AMI
  - 4% for households with incomes less than 80% AMI
- Community Partners
  - Value added services: home energy audits
  - Financing: matching loan programs



## Quality Control

# Quality Control

- Post closing review
  - Adherence to program guidelines
  - Compliance with underwriting requirements
  - Indicators of fraud
  - Trends
- Loans selected
  - New lender's first three files
  - Sample of loans annually
  - Loans with early payment default





## Resources



[HOME](#) [ABOUT US](#) [JOBS](#) [NEWS](#) [POLICY & RESEARCH](#) [PARTNER LOGIN](#) [INVESTORS](#)

## Budget for One Minnesota



## #OneMinnesota Budget Commits to Homes

Governor Tim Walz's budget for #OneMinnesota ensures communities in every corner of Minnesota are thriving. Learn more about his recommended investments in homes.

1 2 3 4



### Homebuyers & Homeowners



- ⌘ Buy or Refinance a Home
- ⌘ Downpayments
- ⌘ Improve Your Home
- ⌘ Interest Rates
- ⌘ Find a Lender
- ⌘ Foreclosure Prevention

### Help with Housing & Rent Assistance



- ⌘ Need help finding or paying for rental housing?

### Lenders & Homeownership Partners



- ⌘ Homeownership
- ⌘ Home Improvement
- ⌘ Real Estate Agents
- ⌘ Community Development
- ⌘ Interest Rates
- ⌘ Commitments

### Multifamily Rental Partners



- ⌘ Apply for Funding
- ⌘ Post-Selection
- ⌘ Management, Compliance & Servicing
- ⌘ Grant Programs
- ⌘ Ending Homelessness
- ⌘ Section 8

Don't miss out  
on important news  
and events!



## Refresh your Skills with a Fix Up Lender Webinar

### Fix Up Lender Webinar

Join us for a live, online [refresher course](#) for Fix Up lenders. We'll run through the different types of Fix Up loans, processing and closing, and the benefits you can enjoy by partnering with Minnesota Housing.

**Monday, May 11**

**2:00-3:00 p.m.**

[Register now](#)

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### Marketing Quick Tip

Tired of searching for quality content to post on your business social media sites? Here are some relevant links you can reuse on your own pages this week!

Don't forget to [like us on Facebook](#) and [follow us on Twitter](#) for the latest Minnesota Housing news and events.

- [This is the year for you to get a @mnhousing Fix Up loan! Record spending is expected in 2015 for home remodeling projects according to @angieslist](#)
- [@houselogic gives you average costs for common home repairs...these are some great projects to use with a secured or unsecured Fix Up loan!](#)
- [Did you know that the average family spends \\$2,000 per year on energy bills? Help your wallet and the environment by making affordable energy saving improvements \(via @energystar\)](#)



# Promotional Materials



Our free materials make promoting Minnesota Housing programs easy!

Visit the Marketing page to order.



# Social Media



[facebook.com/  
minnesotahousing](https://facebook.com/minnesotahousing)



[@mnhousing](https://twitter.com/mnhousing)



[linkedin.com/compan  
y/minnesota-housing-  
finance-agency](https://linkedin.com/company/minnesota-housing-finance-agency)

# Contact Us

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651.296.8215 or 800.710.8871

between 8:00 a.m. and 5:00 p.m.

business days